ASHBURTON
INVESTMENTS

July 2026

Ashburton Targeted Return Fund

Quarterly Investment Commentary

Global growth this year is projected to slow from 3.2% to 3% per annum. For South Africa, in contrast, growth was expected to accelerate slightly from 1% to 1.2% in 2026.

While we remain hopeful that the peace deal between Iran and the United States will hold, the resumption of hostilities at the beginning of July may mean further turmoil for the global and local economy. We expect local headline inflation to peak in the third quarter before moving back towards the 3% target in 2027.

Fund Performance and Positioning

The second quarter of 2026 marked a strong recovery period in financial markets, the fund returned 3.8% over the quarter, outperforming its benchmark return of 3.2%, while the longer-term track record remained robust with returns of 15.1% over one year and 13.0% per annum over three years, comfortably ahead of the fund's CPI+3.5% objective which generated 8.0% and 7.7% respectively.

The strong quarterly outcome was achieved despite a volatile global backdrop characterised by uncertainty around US growth, ongoing geopolitical tensions, fluctuating oil prices and changing expectations for global interest rates. Locally, improving fiscal dynamics, favourable inflation outcomes and expectations of higher-for-longer interest rates provided support to both bond and risk assets during the quarter.

Performance was supported by a constructive allocation to South African government nominal bonds as yields rallied by 82bps on average over the quarter. Exposure to inflation-linked bonds also added to the performance as the yields rallied by 45bps on average over the quarter, while continuing to provide inflation protection. The allocation reflected the view that local bonds continued to offer attractive real yields relative to inflation and cash, while benefitting from improving fiscal outcomes.

The allocation to listed property was at 4.53% at the end of the quarter which contributed positively as we saw the JSE SA Listed Property Index return 10.03% over the quarter, as declining bond yields and support earnings growth and sector valuations.

Fund assets increased from approximately R2.42 billion at the end of March to R2.51 billion by the end of June, reflecting both market appreciation and net inflows.

Outlook

Looking ahead, the portfolio remains well positioned to benefit from an environment of increasing inflation, and attractive real yields available in South African bonds. While global uncertainty and geopolitical risks remain elevated, the diversified structure of the fund, together with active asset allocation across bonds, credit, equities, property and offshore exposures, should continue to support the objective of delivering returns above inflation with controlled volatility.

Performance vs Benchmark

	YTD	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years
Ashburton Targeted Return L	3.0%	-0.1%	3.8%	3.0%	15.1%	14.2%	13.0%	11.2%
CPI + 3.5% (1 month lag)	4.9%	0.9%	3.2%	4.9%	8.0%	7.2%	7.7%	8.6%
(ASISA) South African MA Low Equity	2.5%	0.1%	3.5%	2.5%	12.0%	12.7%	11.7%	9.9%

Past performance is not necessarily an indication of future performance.

Market and Economic Data

Table 1: Market Data as of 30 June 2026

Central Bank Decisions	30 Jun	Δ QTD	Δ 100d MA	Δ 200d MA
SA Repo Rate %	7.00	0.25	0.16	0.21
Fed Fund Target Rate %	3.75	0.00	0.00	0.00
BoE Base Rate %	3.75	0.00	0.00	(0.01)
ECB Main Rate %	2.40	0.25	0.20	0.22
Inflation				
US CPI YoY %	4.20	1.50	0.54	1.08
UK CPI YoY %	2.80	(0.40)	(0.17)	(0.26)
Eurozone CPI YoY %	2.80	0.70	(0.04)	0.41
SA CPI YoY %	4.50	1.00	0.70	0.88
Market Data				
USDZAR	16.39	-1.73%	-0.88%	-0.33%
Brent Crude Oil ($/bbl)	72.92	17.73%	-25.30%	-14.25%
US 10-year Generic %	4.47	0.36	0.05	0.17
3m JIBAR %	6.99	0.23	0.15	0.21
3X6 FRA %	7.33	0.76	0.10	0.41
6X9 FRA %	7.42	0.97	(0.02)	0.44
12X15 FRA %	7.41	1.18	(0.07)	0.47
Cash - STeFI Composite	660.91	3.39%	0.90%	1.80%
All Bond Index (ALBI)	1,428.08	4.94%	3.22%	3.34%
SA 10-year Generic %	8.45	0.03	(0.33)	(0.14)
Composite Inflation Linked Index (CILI)	457.65	5.42%	2.17%	3.10%
SA 10-year ILB Generic %	4.08	(0.14)	(0.07)	(0.06)
JSE All Share (ALSI)	21,244.60	-3.13%	-3.58%	-4.71%
SA 5Y ASW	46.59	(41.10)	(14.39)	(25.25)
MSCI World	4,825.50	364.31	172.28	258.82
S&P 500	7,499.36	593.62	303.66	467.19
MSCI World ex. US	3,185.67	219.23	68.24	95.91
MSCI EM	1,722.89	321.23	81.97	156.31
WGBI	914.40	(5.33)	(1.13)	(4.21)
US 10Y %	4.47	0.36	0.05	0.17
US IG Spreads	36.89	(3.16)	(0.98)	(1.47)
US HY Spreads	297.01	(0.86)	(7.57)	(6.24)

Table 2: US & SA Economic Data as of 30 June 2026

Event	Survey	Actual	Prior
US			
ADP Employment Change	120k	122k	109k
Change in Nonfarm Payrolls	88k	172k	115k
CPI YoY	4.20%	4.20%	3.80%
ISM Manufacturing	53	54	52.7
Unemployment Rate	4.30%	4.30%	4.30%
ISM Services Index	53.8	54.5	53.6
SA			
CPI YoY	4.70%	4.50%	4.00%
Trade Balance Rand	12.8b	-1.8b	15.2b
Retail Sales Constant YoY	2.00%	1.30%	2.60%
Manufacturing Prod NSA YoY	1.50%	-2.90%	0.90%
Current Account as a % GDP	1.10%	2.40%	0.60%

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